

Message Text

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PAGE 01 CAIRO 22840 01 OF 02 241221Z
ACTION NODS-00

INFO OCT-01 ISO-00 /001 W
-----010437 241224Z /16

R 241154Z DEC 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 3448
INFO AMEMBASSY ROME
SECDEF WASH DC
WHITEHOUSE WASH DC

C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 22840

EXDIS (HANDLE AS NODIS)

MILITARY ADDEES HANDLE AS SPECAT EXCLUSIVE

E.O. 11652: GDS
TAGS: MASS EG IT UK
SUBJECT: MIG MAINTENANCE

REF: (A) CAIRO 22103, (B) CAIRO 21691

1. IN CALL ON ME BY UK AMBASSADOR MORRIS, DECEMBER 23, HE RAISED THE SUBJECT OF MIG MAINTENANCE. HE MENTIONED THAT UK DEFENSE ATTACHE BLYTH HAD TOLD HIM ABOUT OUR RECENT CONVERSATION (PARA 1, REF A) AND SAID HE HAD WISHED TO TALK TO ME ABOUT THE MATTER. BEFORE DOING SO, HOWEVER, HE HAD QUERIED LONDON ON HMG'S VIEWS.

2. MORRIS STATED THAT BOTH BRITISH MINISTRY OF DEFENCE AND ROLLS ROYCE HAVE AUTHORIZED HIM TO SAY TO US THAT ROLLS-ROYCE IS PREPARED TO DOUBLE THE NUMBER OF MIG-21 ENGINES BEING REPAIRED. AN OFFER TO THIS EFFECT HAD ALREADY BEEN MADE TO GAMASY BY ROLLS-ROYCE CHAIRMAN DURING RECENT VISIT. OFFER MADE ON BASIS OF REPAIRING TWO HUNDRED MIG-21 ENGINES BETWEEN NOW AND END OF 1978.
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GOE IS CURRENTLY STUDYING OFFER. UK MINDEFENCE MULLEY EXPECTS ARRIVE ON OFFICIAL VISIT JANUARY 3. HE WILL HAVE WITH HIM SENIOR ROLLS-ROYCE PERSONNEL. BRITISH HOPE TO DISCUSS OFFER WITH GOE AT THAT TIME AND WOULD LIKE TO GET A POSITIVE REPLY.

3. SO FAR AS MIG AIRFRAME MAINTENANCE IS CONCERNED,

MORRIS CONFIRMED THAT HAWKER-SIDDELEY OPERATION IS BEING HELD UP BECAUSE OF EGYPTIAN DELINQUENCY IN MAKING SCHEDULED PAYMENTS. IF THESE PAYMENTS ARE MADE, HAWKER-SIDDELEY WOULD PROCEED WITH AIRFRAME MAINTENANCE. BY CALLING ON HELP FROM OTHER MEMBERS OF AEROSPACE, MORRIS THOUGHT HAWKER-SIDDELEY COULD ALSO DO TWO HUNDRED MIG AIRFRAMES BETWEEN NOW AND END OF 1978. HE HOPED THAT EGYPTIANS WILL SOON MAKE PAYMENT AND THAT THE PROJECT CAN PROCEED AT AN ACCELERATED RATE.

4. I OUTLINED FOR MORRIS ORIGINS OF OUR INVOLVEMENT IN RECENT PROJECT. PRESIDENT SADAT HAD RAISED IT AT HIGHEST LEVEL DURING VISIT TO THE U.S. EARLIER THIS YEAR AND HAD RECEIVED UNDERTAKING THAT WE WOULD TRY TO ASSIST. WE HAD BEEN ABLE TO WORK OUT ARRANGEMENTS BETWEEN ITALIAN FIRMS, ASSISTED BY TECHNICAL EXPERTS FROM GE AND LOCKHEED, AND REPRESENTATIVES OF THESE FIRMS HAD MET WITH GAMASY AND EAF STAFF. GAMASY HAD SPECIFICALLY ASKED THEM FOR AN OFFER TO DO ONE HUNDRED MIG ENGINES AND ONE HUNDRED AIRFRAMES. TO BEST MY KNOWLEDGE, ITALIAN FIRMS NOW PREPARING SUCH AN OFFER AND WOULD, I HOPED, SHORTLY BE IN POSITION TO MAKE IT. IN MEANTIME, WE HAD HEARD STORIES THAT THE BRITISH FIRMS MIGHT BE OFFERING TO DO THE WHOLE JOB. GAMASY HAD RECENTLY CONFIRMED THIS TO ME. WHEN ASKED, HOWEVER, WHETHER HE STILL WANTED ITALIAN/AMERICAN FIRM'S OFFER, GAMASY HAD REPLIED AFFIRMATIVELY AND

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REITERATED THAT OFFER SHOULD BE IN TERMS OF ONE HUNDRED MIG ENGINES AND AIRFRAMES.

5. GAMASY HAD MADE SOMEWHAT ENIGMATIC STATEMENT THAT ANY ADDITIONAL ENGINES COULD BE USED ELSEWHERE. MORRIS COMMENTED THAT EGYPTIAN CHIEF OF STAFF, LTG MOHAMED ALI FAHMY, HAD TOLD ROLLS-ROYCE THAT ARRANGEMENTS MIGHT ALSO BE MADE TO REPAIR MIG ENGINES FOR SUDAN AND SOMALIA. MORRIS GAVE NO INDICATION OF FIGURES FOR EACH OF THESE COUNTRIES. HE DID MAKE IT CLEAR THAT BRITISH INTEND TO MAKE A STRONG PITCH TO DO THE WHOLE JOB.

6. I TOLD MORRIS THAT THIS WAS CLEARLY A MATTER FOR THE EGYPTIANS TO DECIDE. IF THEY WISH TO GO THE BRITISH ROUTE, THIS WOULD SEEM TO BE UP TO THEM. I EMPHASIZED WE ARE NOT PUSHING PROJECT IN TERMS OF TRADE PROMOTION, BUT SIMPLY IN TERMS OF OUR COMMITMENT TO PRESIDENT SADAT TO ASSIST. SHOULD GOE INDICATE TO US THAT IT NO LONGER NEEDS THE HELP THAT WE OFFERED, I WAS SURE WE WOULD RESPECT ITS VIEW. SHOULD IT STILL WISH TO DIVIDE THE WORK, AS PREVIOUSLY INDICATED, AND SATISFACTORY CONTRACTS ARE WORKED OUT, THIS WOULD ALSO BE AGREEABLE.

7. COMMENT: AS PREVIOUSLY REPORTED, THE STRETCHED-OUT TIMEFRAME (TO 1978) FOR THE MIG AIRFRAME AND ENGINE REPAIR SEEMS TO HAVE PROMPTED BRITISH DECISION TO TRY TO TAKE OVER THE ENTIRE JOB. WHAT IS MORE, AS I UNDERSTAND IT, THEY ARE OFFERING TO DO THE ENGINE AND AIRFRAME REPAIR HERE IN EGYPT RATHER THAN TAKING THEM OUTSIDE THE COUNTRY. THIS MAKES THE BRITISH OFFER CONSIDERABLY MORE ATTRACTIVE TO EGYPTIANS THAN ITALIAN/AMERICAN OFFER PROPOSAL WHICH CALLS FOR DOING THE WORK IN ITALY.

8. GAMASY IS CAUGHT ON THE HORNS OF A DILEMMA. HE IS

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ACTION NODS-00

INFO OCT-01 ISO-00 /001 W
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R 241154Z DEC 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 3449
INFO AMEMBASSY ROME
SECDEF WASH DC
WHITEHOUSE WASH DC

C O N F I D E N T I A L SECTION 02 OF 02 CAIRO 22840

EXDIS (HANDLE AS NODIS)

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SATISFIED WITH ROLLS-ROYCE ACTIVITY TO DATE AND WOULD PROBABLY FIND AN AUGMENTED HAWKER-SIDDELEY EFFORT EQUALLY ACCEPTABLE. HE WAS PRESSURED BY SADAT TO ACCEPT ITALIAN/AMERICAN OFFER, BUT I UNDERSTAND HAS POINTEDLY NOTED TO THE PRESIDENT THAT IT IS BASICALLY AN ITALIAN OFFER IN WHICH THE AMERICAN ELEMENT IS PERIPHERAL. HE HAS SAID TO ME THAT HE STILL WANTS TO HEAR THE ITALIAN/AMERICAN OFFER, AND ATTRIBUTES DELAY IN SUBMITTING TO "POLITICAL" REASONS. AT SOME POINT, PRESUMABLY DURING MULLEY'S VISIT, THE MATTER IS LIKELY TO HAVE TO BE REFERRED AGAIN TO SADAT FOR A DECISION.

9. I CONTINUE TO BELIEVE THAT WE SHOULD INFORM GOE, AT HIGHEST LEVEL, THAT WE ARE NOT SEEKING TO PUSH ITALIAN/AMERICAN OFFER ON IT AND THAT IF PRESIDENT SADAT IS

SATISFIED WITH WHAT BRITISH ARE WILLING AND ABLE TO DO
IN TERMS OF MIG ENGINE AND AIRFRAME MAINTENANCE, WE WOULD
FULLY UNDERSTAND THIS. IF, ON OTHER HAND, HE STILL
WISHES ITALIAN/AMERICAN PARTICIPATION IN MIG ENGINE-
AIRFRAME MAINTENANCE, WE ARE PREPARED TO PROCEED ON
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BASIS WE HAD EARLIER SUGGESTED.

10. ALTHOUGH GOE HAS NOT SPECIFICALLY IDENTIFIED SUDAN
AND SOMALIA TO US, IT WOULD APPEAR FROM MORRIS' COMMENTS
THAT THEY ARE THINKING OF DOING MIG REPAIRS FOR THESE
COUNTRIES AS WELL. THIS ADDS FURTHER COMPLICATION, WHICH--
IF EGYPTIANS ASK US TO PROCEED--WE WILL HAVE TO CLARIFY.
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Message Attributes

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Disposition Approved on Date:
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